National Energy Board | Office national de l'énergie

Reasons for Decision

Alliance Pipeline Ltd.

GHW-1-2007

September 2007

Facilities and Toll Methodology

Canada

2008-02037/

National Energy Board

Reasons for Decision

In the Matter of

Alliance Pipeline Ltd.

Application dated 28 February 2007 for the British Columbia Expansion Project

GHW-1-2007

September 2007

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Abbreviations

10^3m^3	thousand cubic metres
10^6m^3	million cubic metres
Act or NEB Act	National Energy Board Act
AEUB	Alberta Energy Utilities Board
Alliance	Alliance Pipeline Ltd.
Aux Sable	Aux Sable Canada L.P.
B.C.	British Columbia
Bcf	billion cubic feet
Bcf/d	billion cubic feet per day
Board or NEB	National Energy Board
BP	BP Canada Energy Company
CAPP	Canadian Association of Petroleum Producers
Chevron	Chevron Canada Resources
CNR	Canadian Natural Resources
Devon	Devon Canada Corporation
EnCana	EnCana Corporation
EPM	Emergency Procedures Manual
EPP	Environmental Protection Plan
FT	firm transportation
ha	hectare(s)
hp	horsepower
km	kilometre(s)
m	metre(s)
m^3/day	cubic metres per day
mm	millimetre(s)
Mcf	thousand cubic feet

MMcf	million cubic feet
MMcf/d	million metric cubic feet per day
MW	megawatts
Nexen	Nexen Marketing
OD	outside diameter
Petro-Canada	Petro-Canada Oil and Gas
Pioneer	Pioneer Natural Resources Canada
PPM	PPM Energy Canada Ltd.
Project	British Columbia Expansion Project
PA	Precedent Agreement(s)
PRPC	Primary Receipt Point Capacity
PRPD	Primary Receipt Point Designation
ROS	Receipt Only Service
Talisman	Talisman Energy Inc.
TAC	Taylor-Aitken Creek
TSA	Transportation Service Agreement
Union	Union Gas Limited
$	Canadian dollars
¢	Canadian cents

Chapter 1

Introduction

1.1 Background and Application

On 28 February 2007, Alliance Pipeline Ltd. (Alliance) filed an application (the Application) with the National Energy Board (NEB or Board) seeking authorization under Parts III and IV of the *National Energy Board Act* (Act) in respect of its British Columbia (B.C.) Expansion project (Project).

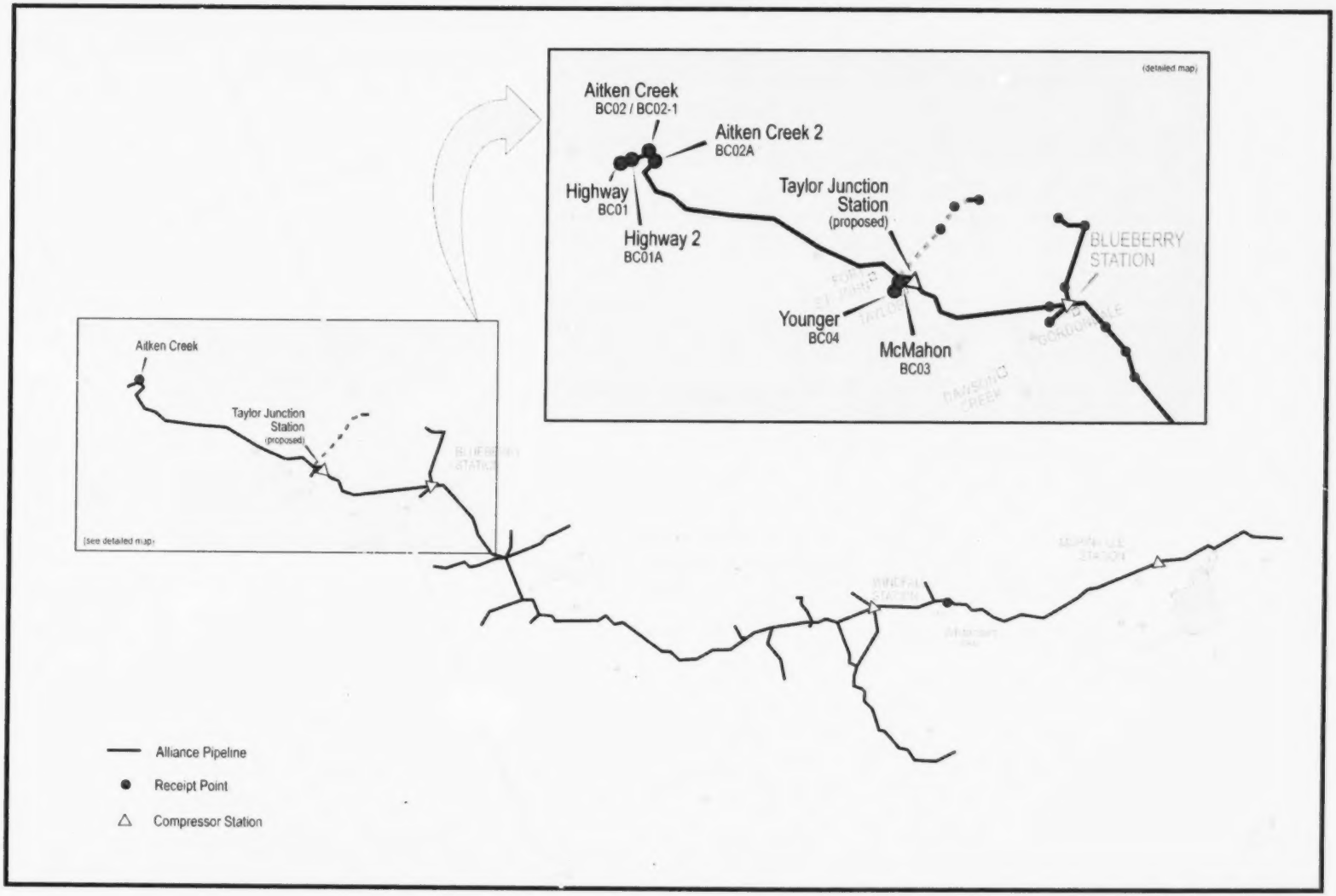
Specifically, Alliance applied for approval under Part III of the Act to construct a new 5.7 megawatts (MW) (7,700 horsepower (hp)) compressor station at its existing Taylor Junction valve and pig trap site. The proposed compressor station site is situated in the southwest corner of SW 10-83-17 W6M where the Aitken Creek and Taylor Laterals join into the Fort St. John Lateral, approximately 20 kilometres (km) southeast of the City of Fort St. John, in northeastern British Columbia. The Project requires 2.2 hectares (ha) of permanent footprint for the proposed compressor site and 1.8 ha of temporary construction workspace for the purpose of alternate site access and for stockpiling and staging equipment and materials. The proposed new compressor station would provide additional receipt capability for the Taylor-Aitken Creek (TAC) zone in northeastern B.C. The planned in-service date for the new station is 1 November 2008. Figure 1-1 is a map identifying the location of the proposed Project and the TAC zone.

Alliance also applied for approval under Part IV of the Act for certain amendments to its Transportation Tariff. These amendments include the introduction of a new Receipt-Only Service (ROS) with respect to the incremental capacity from the TAC zone arising from the installation of the new compressor station.

The expansion would increase firm receipt capacity from the TAC zone by 4.25 million cubic metres per day ($10^6m^3/d$) (150 million cubic feet per day (MMcf/d)) with an additional non-firm capacity of 4.25 thousand cubic metres per day ($10^3/m^3/d$) (20 MMcf/d). The incremental capacity has been fully subscribed and underpinned by long-term contracts. The holders of the contracts have agreed to pay an annual average toll of ten cents per thousand cubic feet (10¢/Mcf ($107.30/10^3m^3/month$)) for the first five years of the term and 4¢/Mcf ($42.95/10^3m^3/month$) for the remainder of the contract, ending in 2015.

Alliance also proposed a ROS Secondary Receipt Point Toll to help facilitate the continued high use of the available ROS capacity. Alliance proposed that the revenue generated from the ROS and the ROS Secondary Receipt Point Tolls be treated as a credit to Alliance's total revenue requirement and the associated capital costs be treated as part of its rate base.

Figure 1-1
British Columbia Expansion



1.2 Hearing Process

On 9 March 2007, the Board solicited comments from interested parties as to what process should be followed with respect to considering Alliance's application for the B.C. Expansion. After considering all of the comments, the Board, by letter dated 13 April 2007, established a written procedure that allowed for information requests, evidence and argument.

The Canadian Association of Petroleum Producers (CAPP) submitted written evidence. Letters of Comment were received from the following:

- Aux Sable Canada L.P (Aux Sable)
- Canadian Natural Resources (CNR)
- Chevron Canada Resources (Chevron)
- ConocoPhillips
- Devon Canada Corporation (Devon)
- District of Taylor B.C.
- EnCana Corporation (EnCana)
- Brian and Lori Hill
- Paul, Gordon and Colleen Hill
- Peace River Regional District
- PPM Energy Canada Ltd. (PPM)
- Union Gas Limited (Union)

Written argument was submitted by Alliance, BP Canada Energy Company (BP), CAPP, Nexen Marketing (Nexen), Petro-Canada Oil and Gas (Petro-Canada), Pioneer Natural Resources Canada (Pioneer) and Talisman Energy Inc. (Talisman).

The submissions made by Aux Sable, Chevron and PPM were in support of the application. CAPP opposed the application for reasons which will be discussed in detail. CAPP's position was supported by BP, CNR, ConocoPhillips, Devon, EnCana, Nexen, Petro-Canada, Pioneer and Talisman. Union submitted a letter of comment which stated that the Application presented new details on proposed tariff language that were neither previously discussed with all shippers nor anticipated by Union. With the benefit of the information available as a result of the Board's process, Union acknowledged the need and the benefits of the Taylor Junction Compressor Station and supported the proposed treatment of rolled-in fuel costs, an issue discussed later in this report, as being reasonable. Union suggested that the Board also direct Alliance to refer all future new service proposals to its Shipper Policy Task Force for stakeholder review and discussion prior to filing them with the Board.

Matters raised by letters of comment from the District of Taylor B.C., Brian and Lori Hill, Paul, Gordon and Colleen Hill and Peace River Regional District will be discussed in the Part III section of these Reasons for Decision.

1.3 List of Issues

Based on the submissions from Alliance and the Interested Parties to this application, the Board has organized its Reasons as follows:

1. Need for the Proposed Facilities
2. Consultation, Socio-Economic and Safety Issues
3. Existing Tariff and "Founding Compact"
4. Open Season and Industry Consultation
5. Impact on Existing Services

Chapter 2

Part III Matters

2.1 Need For the Proposed Facilities

Views of the Parties

In its Application, Alliance stated that the installation of the Taylor Junction Compressor Station would relieve the existing receipt capacity bottleneck in northeastern B.C. and enable Alliance to increase its receipt capacity from the TAC zone by 4.25 $10^6 m^3/d$ (150 MMcf/d) to a new total of 12.6 $10^6 m^3/d$ (446 MMcf/d). The purpose of this expansion project is to help Alliance serve the growing demand for access to natural gas transportation capacity out of northeastern B.C. The incremental receipt capacity is underpinned by new long-term contracts with two FT shippers, Chevron and PPM .

Alliance stated that the forecast of gas supply in the source region feeding TAC is robust. According to Alliance, its originally proposed TAC II project, which was the subject of Alliance's open season and which CAPP supported, would rely on the same facilities configuration and the same sufficiency of supply as the applied for ROS. Alliance argued that the applied for project is similar to TAC II in the sense that the facilities are not adding long haul transportation capacity but availing Alliance Firm Transportation shippers (FT Shippers) with increased access to pipeline receipt capacity within the TAC zone.

Alliance stated that while there was insufficient interest under TAC II, there is sufficient interest under the ROS proposal. Both projects would result in expanding the TAC zone receipt capacity. In addition, Alliance stated that ROS does not harm existing shipper classes.

CAPP stated that it does not oppose the TAC II project, as described by Alliance in its open season, which would increase Alliance's capacity to receive gas supplies in the TAC zone. However, according to CAPP, the proposed ROS is neither necessary nor appropriate as the open season did not contemplate that a new service would be necessary to accommodate the expansion and that ROS creates receipt capacity that is not available to other Transportation Service Agreement (TSA) holders in accordance with their negotiated TSAs. Contrary to the availability of unused receipt capacity to other shippers at no additional charge, unutilized ROS capacity would be made available by Alliance to others only if they pay the proposed ROS secondary receipt toll of 15¢/Mcf ($5.30/$10^3 m^3$).

CAPP stated that the Alliance system is not short of supply and that it has been utilized at or close to capacity since its inception with a contract level of 37 530 $10^3 m^3/d$ (1,325 MMcf/d). According to CAPP, there is a high demand for TAC service which ultimately led to the TAC II Project that was the subject of Alliance's recent open season.

CAPP submitted that it is possible to expand the TAC capacity within the framework of the existing Tariff and that the Alliance Tariff was negotiated as a package and accepted by the NEB as a package. Receipt capacity has been previously added to the system within the framework of the Tariff.

Views of the Board

The Board is of the view that there is a need for additional receipt capacity in the TAC zone. The Board accepts Alliance's evidence that the connected supply and station capacities exceed the proposed design capacity of the system at Taylor Junction and that the proposed facilities will provide shippers with additional flexibility regarding sources and destinations of gas. The Board notes that CAPP supported the TAC II project which would have also increased the receipt capacity in the TAC zone.

The Board further notes that the facilities required to provide for the additional receipt capacity are supported by long-term contracts.

2.2 Consultation, Socio-Economic and Safety Issues

According to Alliance, it initiated a public consultation program with respect to the applied-for facilities by contacting landowners within a 1 500 metre (m) radius of the proposed site. Where owners resided on the property, Alliance staff visited the landowner personally. Where Alliance was not able to contact the landowner or where the landowner did not reside on the property, a project information package was sent by registered mail. Five additional landowners outside the 1 500 m radius were also sent information packages by registered mail. Alliance contacted other stakeholders including local and provincial government representatives and made presentations to them about the Project. Alliance conducted a public Open House in Taylor, B.C.

Letters of comment pertaining to the Part III application were received from the District of Taylor B.C., Brian and Lori Hill, Paul, Gordon and Colleen Hill and Peace River Regional District.

The District of Taylor B.C. had no substantial objection to the Application moving forward but expressed some concerns. It stated that the Application did not provide details related to emergency response and it requested that alternate technology be investigated if flaring is a component of the station's operational methodology.

Brian and Lori Hill stated that they had concerns with respect to the Project's impact on noise levels, quality of life, land values and land use.

Paul, Gordon and Colleen Hill noted their concerns with timely weed control, noise and disturbance from the compressor operation, possible impacts on the value of surrounding land, construction traffic and amendments to an existing landowner agreement.

The Peace River Regional District requested that Alliance address the following issues:

- Complete the current negotiations to mitigate the long term effects of the project on landowners and neighbouring residents
- Use the best technology available to mitigate noise pollution
- Locate the compressor at the greatest distance from the road and/or neighbours as possible
- For aesthetic purposes, use outside cladding of material on the compressor buildings that reflects the agricultural setting
- Provide rural farm tie-in points for access by rural residents affected by the developments in their neighbourhood

With respect to the concerns raised by the District of Taylor B.C., Alliance stated it has an ongoing education and liaison program to promote the awareness of the facilities and how to respond to an emergency on its system. Alliance also responded that there would not be any flaring at the site and that Alliance would be the first responder for any incident at the station. Alliance submitted that natural gas would be vented to the atmosphere under circumstances of emergencies or maintenance blow down. Alliance acknowledged that there is a safety risk in venting natural gas to the atmosphere but submitted that the risk is minimized by upward displacement and dispersion of the plume. Transient modeling conducted by Alliance during the greenfield project determined that the lower flammable limit of a vented gas plume would be closely confined to the blow down valve and would not reach ground level. Alliance further submitted that it has adopted minimum spacing guidelines for the placement of structures at compressor stations to reduce the risk of loss to persons or property to accepted levels. Alliance also provided a description of the emergency shut down and over pressure protection measures to be employed at the proposed facility. Alliance has committed to ongoing consultation with landowners and has stated that it will continue to meet with the Town of Taylor representatives to address any issues.

Alliance submitted that the proposed station is not incongruous with existing land uses in the area (currently a mix of agricultural and industrial uses) and that, given the existing uses; the proposed facilities are unlikely to reduce property values in the vicinity. Alliance indicated there is nothing about these facilities that would interfere with a landowner's right to build on land adjacent to the applied-for compressor station (at NE ¼ 3-83-17 W6M). Alliance submitted that

the colours of the building would blend in with the surroundings and that air quality and noise levels would meet the applicable requirements[1].

The lands required for the proposed compressor station site are situated on a parcel of privately-owned property within the Peace River Regional District. Alliance noted that it has been in discussions with the one directly affected landowner (Paul Hill) to develop a site configuration that will minimize the impact to the landowner's farming operation while meeting Alliance's engineering requirements. No issues specific to the size or configuration of the required land area were raised by Paul Hill or his representatives.

Alliance stated that, in 1997, it acquired from Paul Hill an Above Ground Installation Agreement for a 100 m x 100 m plot of land at the same site for installing a compressor station. However, at that time it only installed a valve site and fenced off a 30 m x 100 m portion of the acquired area. Alliance submitted that it has an agreement-in-principle with Paul Hill to increase this existing 100 m x 100 m area to accommodate the new compressor station site and to provide for the necessary temporary construction workspace. By letter to the Board dated 7 May 2007, Paul Hill, and Gordon and Colleen Hill, stated that this agreement-in-principle was signed on 25 January 2007.

The Hills' 7 May 2007 letter to the Board stated that, as of the date of that letter, the new land agreement negotiations had not been completed to their satisfaction. Alliance stated that it had met with the Hills and their counsel on 11 May 2007 to discuss outstanding issues regarding completion of a land acquisition agreement for Paul Hill's property. These discussions included explaining the legal reasons why Alliance proposes to replace the existing Above Ground Installation Agreement rather than enter into a surface lease agreement, as contemplated by the agreement-in-principle. Alliance also submitted that it has attempted to ensure that the substance of the Hills' concerns is addressed regardless of the specific form of land acquisition agreement.

Views of the Board

Based on the evidence provided by Alliance, the Board is of the view that Alliance has conducted a consultation program commensurate with the nature, setting and potential impacts of the proposed facilities and is satisfied that concerns raised by parties have been addressed. Where there are outstanding concerns the Board expects Alliance to take

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1 Alliance submitted that within British Columbia there are no applicable regulations with respect to environmental noise from compressor stations and so adopted the Alberta Energy and Utilities Board (AEUB) Noise Control Directive ID 99-8 as a project standard. Noise modeling predicted that the continuous sound level contributions from the Station would be in compliance with the nighttime Permissible Sound Level as set out by AEUB Directive ID 99-8 for all residences but one residence located at NE1/4 4-83-17 W6M (200 m southwest of the Station site). Negotiations with the owner of this residence are ongoing with respect to noise abatement or avoidance alternatives (including a possible relocation of the residence) and Alliance confirmed it is committed to developing a mutually acceptable solution.

For project air quality emissions, Alliance conducted its assessment under BC Environment's *Guidelines for Air Quality Dispersion Modelling in British Columbia* and evaluated the project NO_2 emissions to the *Federal National Ambient Air Quality Objectives*.

appropriate courses of action to address these concerns. The Board also finds that Alliance's land requirements and land acquisition approach for the British Columbia Expansion Project are reasonable and appropriate. Furthermore, the Board is of the view that Alliance has demonstrated how it would implement procedural and engineered controls to permit the safe shut down of the facility during an emergency.

As a responsible authority under the *Canadian Environmental Assessment Act*, the Board conducted an environmental screening for the Project. A copy of the Environmental Screening Report is appended to this Decision. The commitments and mitigation that Alliance has made or proposed to address many of the above-referenced concerns are detailed in Section 8.2 of the attached Environmental Screening Report. Further information regarding some of the landowner concerns can be found in the Environmental Screening Report. The Board notes that Alliance must file an Environmental Protection Plan (EPP) with the Board and identify any additional mitigation measures implemented to address any outstanding concerns.

The Board recognises that the venting of natural gas to the atmosphere can pose a safety hazard and notes that in designing the facility, Alliance intends to follow building setbacks for structures to reduce the risk of loss to persons or property to accepted levels. The Board further notes that modelling of the flammable plume was undertaken during the Alliance greenfield project and not specifically for the Taylor Junction Compressor Station. The Board requires Alliance to demonstrate that, for the site specific conditions of the proposed Expansion Project, all site buildings, ignition sources and publicly accessible areas are outside of the flammable plume for the worst case blow down scenario of the proposed facility.

The Board has considered Alliance's application dated 28 February 2007 pursuant to section 58 of the Act, including the commitments and/or mitigation that Alliance has made or proposed, and has issued Order XG-A159-07-2007, the effect of which is to approve the applied-for facilities. The Board grants Alliance exemption from the provisions of subsection 30(1), and sections 31 and 47 of the Act. A copy of the Order is attached.

Alliance is required to file three copies of an update to the Emergency Procedures Manual (EPM) 30 days prior to the operation of the compressor station.

Chapter 3

Part IV Matters

3.1 Existing Tariff and Founding Compact

Views of the Parties

CAPP stated that the proposed ROS service is a fundamental departure from the "founding compact" struck when Alliance was created and as such, it should not be approved. CAPP submitted that the "founding compact" is a business arrangement as well as a Tariff, which includes the TSAs, the Firm Transportation (FT) Service Toll Schedule, the Interruptible Service Toll Schedule, and the General Terms and Conditions. According to CAPP, the "founding compact" was freely negotiated and all shippers were treated equally. It was on the basis of this "compact" that the original Alliance pipeline was supported by 37 shippers and over 40 financial institutions. The original Alliance Tariff was negotiated as a package and approved by the NEB as a package. As such, CAPP requested that the NEB respect the package and deny the application.

Alliance replied that the original Alliance concept was advanced as a new and alternative approach to natural gas pipelining. The interests of shippers, who were also the owners at the time, drove the commercial activities. The motivations behind Alliance's formation do not form part of any business arrangement that continues to bind Alliance. When the current owners acquired their interests in Alliance they acquired an interest subject to the prevailing contractual terms and not a "founding compact". There is no business arrangement beyond the terms of the Tariff, which is a series of contractual arrangements that includes the TSAs, the Toll Schedules, the Toll Principles and the General Terms and Conditions. In summary, Alliance submitted that a document entitled a "founding compact" does not exist.

Alliance further stated that while the Board approved the Tariff as a package, from time to time the Tariff is amended, subject to the Board's approval. The Tariff governs the relationship between Alliance and its shippers. Responsibilities under the Tariff have, at times, been assigned by the original shippers to new shippers. The original 40 financial institutions referred to by CAPP have long been paid out and the current lender group comprises ten banks plus bondholders.

Alliance added that ROS does not erode the rights of FT customers under the Tariff and does not undermine any of the support for negotiated settlements presented to the NEB as a package. According to Alliance, the NEB does not need to deny the Application in order to maintain the Tariff as a package.

Views of the Board

The Board agrees with Alliance that the contractual arrangements with its customers are the TSAs, the Toll Principles, the Toll Schedule and the General Terms and Conditions in its Tariff. While the proposed service is different from what exists now, it is Alliance's right to apply to the Board for changes to its Tariff. The Board is of the view that there is no founding compact beyond the Tariff.

The Board recognizes that certain arrangements were put in place to underpin the original facilities. The Board is of the view that, absent any warranted reason, the approval of the original Tariff should not impose constraints on further expansions of the system.

3.2 Open Season and Industry Consultation

Views of the Parties

Alliance stated that an open season was conducted during October 2006 in response to market interest in Alliance increasing its capacity from the TAC zone. The open season was available only to existing Alliance long-haul FT Shippers. The open season offered existing shippers the opportunity to subscribe for possible expanded receipt capacity on the TAC lateral system. The project for which the open season was conducted is described by CAPP as the TAC II project.

Alliance stated that, after the open season and prior to the filing of the Application with the Board, it consulted with any stakeholders who had expressed an interest in additional receipt capacity in the TAC zone on the precise structure of the new ROS and the framing of the ROS agreement and toll schedule.

CAPP stated that ROS was developed after the open season without NEB authorization. According to CAPP, prior NEB authorization for a new service is the normal prerequisite to offering the new service in a binding open season. CAPP further stated that the NEB looks to such binding commercial commitments in the exercise of its own regulatory jurisdiction and to protect the public interest. The NEB relies on the open season process as part of the consultation it requires of pipelines in the pre-application process.

CAPP stated that the proposed ROS is different from the TAC II project described in Alliance's open season. The TAC II Project was the subject of the binding open season which resulted in Alliance's acceptance of two submissions and execution of Precedent Agreements (PAs) with each of the accepted shippers. CAPP stated that it did not oppose the TAC II Project but opposed the Application as filed.

CAPP further submitted that the Application was unsupported by any properly conducted open season or proper pre-hearing consultation. CAPP noted that the open season and the executed PAs were for the TAC II Project, not the applied-for ROS and, therefore, they could not provide support for the Application. CAPP alleged that Alliance engaged in impermissible side negotiations before the open season closed to induce two 'winning bids', which violated basic

commercial law requirements applicable to open seasons. CAPP pointed to what it alleged to be various contradictory statements made by Alliance, which, according to CAPP, demonstrated that Alliance only revealed the ROS concept to its wider shipper community at a 26 January 2007 meeting and that the details of the new service and justification were provided shortly before the Application was filed with the NEB. Based on what CAPP considered to be an unfair open season process and a lack of pre-application consultation, it submitted that the Board should deny the Application.

Alliance stated that there was insufficient interest (by volume and price) under the terms of the open season offering for Alliance to proceed with an economically viable project and that the negotiations which followed the open season represent the competitive market at work. ROS arose out of a standard series of commercial discussions and the ROS package, in its entirety, was sufficiently attractive to the marketplace that it became subscribed. The TAC II concept presented in the open season, however, was not sufficiently valued to attract threshold subscription levels. Alliance further stated that no one has been prejudiced by the process it followed and that CAPP has not identified any party that has been prejudiced or that wanted service pursuant to the TAC II Project and now will not receive it, or that would have wanted ROS but has not been able to subscribe for it.

With respect to communicating the details of ROS to its shippers, Alliance stated that, before filing, it clarified the proposed ROS to CAPP at a joint meeting on 9 February 2007. At that meeting Alliance explained and discussed ROS in full detail, including the proposed Tariff amendments. On 28 February 2007, Alliance fully disclosed ROS in the Application.

In response to CAPP's statement that negotiations undertaken by Alliance violated basic commercial law requirements applicable to open seasons, Alliance stated that the principles established in the Supreme Court decision cited by CAPP are for procurement tender processes that intend to replace negotiations with competition. Alliance stated that its open season was virtually the reverse of that as its rationale was to discern the level and nature of market interest in receiving (not supplying) new service. Alliance argued that all bidders knew from the terms of the open season that Alliance was looking for threshold levels (price and volume) in order to proceed further. If threshold levels were received, it had the discretion to proceed with the project and perhaps follow up to see what adjustments could be made to bring subscriptions up to a threshold level.

Alliance stated that it was prepared to convene a second open season for ROS in the event the Board is of the view that the Alliance open season process lacked sufficient transparency. However, Alliance stated that it doubted that there would be any further interest in ROS capacity. Alliance proposed to offer other FT shippers ROS capacity on the terms contained in this Application, requiring their response within a two week time frame and, only if necessary, returning to the Board for approval of any variations to the facility design resulting from the response. For all subscriptions, Alliance would reserve the right to any, all or none of the following: adjust the total volume, prorate all subscriptions in order to optimize an appropriate compressor unit sizing, negotiate further with bidders as necessary in Alliance's absolute discretion to achieve appropriate modification of terms and anything else that the customers may require.

Views of the Board

The Board has an interest in ensuring that stakeholders are adequately consulted. While Alliance stated that it explained and discussed ROS in full detail at a meeting on 9 February 2007, the Board is of the view that, based on the evidence and comments from intervenors, the communication with respect to the applied-for expansion and the proposed services and tolls was poor. The Board specifically notes Union's comments that had it been consulted about how new service developments would affect its interests prior to Alliance filing a formal application, it is doubtful that Union would have needed to be active in the proceeding.

While open seasons are generally regarded by the Board as evidence of the efficacy of an applicant's consultation with its shippers and the level of interest in a proposed service, an open season is a commercial process. The Board does not have specific rules or guidelines requiring gas pipeline companies to conduct open seasons prior to applying for facilities; nor does it specifically outline how such companies must conduct open seasons. The Board notes the existing avenues of relief outlined in section 71 of the *Act* for parties who are in need of service on a gas pipeline.

The Board notes that Alliance stated that it was prepared to convene a second open season for ROS and was willing to accept that as a condition of Board approval to place into service the proposed facilities and to commence ROS. The Board also notes CAPP's position that the applied-for service is markedly different from what was subject to an open season (i.e. TAC II Project). The Board is of the view that shippers would likely benefit from knowing the general terms and conditions of access to incremental capacity in advance of any planned expansion and/or new service offerings. This will provide transparency and avoids perception of exercising market power. The Board concludes that in this case, given the inadequacy of the consultation process, a second open season is an appropriate course of action. The Board therefore directs Alliance to conduct a second open season.

In an effort to prevent the reoccurrence of such communication problems, the Board encourages Alliance to refer all future new service and/or capacity addition proposals to its Shipper Policy Task Force for stakeholder review and discussion prior to filing them with the Board.

3.3 Appropriateness of the Proposed Services Including Tolling Methodology

3.3.1 ROS Service

Alliance provided a description of ROS in comparison to FT Service. ROS is a service that provides receipt service only; no transportation is involved. ROS was designed to meet the

demand for incremental receipt capacity in the TAC zone and to recover the required incremental capital cost involved to provide such service. The intent is to allow the ROS Shippers to deliver an additional 150 MMcf/d (4.25 $10^6 m^3/d$) of natural gas onto Alliance in the TAC lateral system from which they will need to contract with an existing Alliance FT Shipper or use their own FT contracts.

ROS is available to any shipper that is a party to a TSA with Alliance and that has subscribed for ROS. Availability of a subscribed-for volume of ROS is subject to system limitations as determined by point location analysis. ROS, at a receipt point designated by a shipper as a Primary Receipt Point, will receive the same scheduling priority as receipts for FT TAC service. ROS shippers are only permitted to transfer Primary Receipt Point Designations to other receipt points within the TAC zone, provided there is capacity available at the alternate receipt points.

3.3.2 ROS Toll

Views of the Parties

Alliance proposed a toll of 10¢/Mcf ($107.30/10^3 m^3$/month) for the first five years of the service and a toll of 4¢/Mcf ($42.95/10^3 m^3$/month) thereafter until the Primary Term of the ROS Agreements ends in 2015. The tolls were determined based on Alliance's forecast long-term owning and operating costs of the proposed facilities and an estimated capital cost of $30.3 million. The toll design principles used were the same as those used to generate Alliance's existing tolls except that capital cost recovery has been accelerated for the first five years. The revenue generated from ROS shippers would be treated as a credit to Alliance's total revenue requirement and the associated capital costs would form part of the Alliance rate base. As a result, by the end of the first five years of service, the net book cost of the proposed facilities will approximate, proportionately, the amount of undepreciated capital costs from the original system.

Alliance stated that the impact on existing shippers of the proposed service will be neutral at worst, with ROS revenues being offset against the long-haul cost of service. Alliance stated that ROS is consistent with the original Tariff, under which founding customers paid the capital costs in exchange for access to all available capacity.

CAPP stated that the proposed ROS toll of 10¢/Mcf ($107.30/10^3 m^3$/month) does not conform to the Alliance "founding compact". However, the 10¢/Mcf ($107.30/10^3 m^3$/month) can be justified as a TAC II surcharge, which would be consistent with the "founding compact". CAPP further stated that Alliance ignored the impact of incremental compressor fuel in determining incremental costs. CAPP submitted that ROS is not neutral to shippers and neither is the toll.

Views of the Board

The Board is of the view that the proposed toll for ROS is cost based as it was developed based on a forecast of long-term operating costs and an estimated capital cost of $30.3 million. While the toll was negotiated between Alliance and the shippers who subscribed for ROS, the Board notes that the proposed toll of 10¢/Mcf ($107.30/10^3 m^3$/month) is the same

as the surcharge for the TAC II project, to which CAPP agreed. The Board finds that the proposed toll is just and reasonable and not unduly discriminatory.

The use of an accelerated depreciation rate ensures that the proposed facilities will be depreciated to the same level as Alliance system assets by the end of 2015. The costs of the Project are discussed further in Section 3.4 of these Reasons for Decision.

The Board approves the proposed toll of 10¢/Mcf ($107.30/10³m³/month) for the first five years of service and a toll of 4¢/Mcf ($42.95/10³m³/month) thereafter until 2015. The Board directs that any proceeds from the ROS Toll be credited to the revenue requirement for FT shippers.

3.3.3 Secondary Receipt Service

Alliance also requested approval of a Secondary Receipt Service. Alliance submitted that this Service and the corresponding Secondary Receipt Service Toll are necessary to allow long-term shippers an opportunity to mitigate demand charges during periods of under-utilization by selling unused receipt capacity.

ROS secondary nominations will be nominated specifically for a receipt point and will only be made available to the extent that ROS Shippers are underutilizing their firm receipt capacity. Unlike TAC secondary nominations under the current arrangement, all ROS secondary receipts will be charged the ROS Secondary Receipt Service Toll.

3.3.4 Secondary Receipt Service Toll

Views of the Parties

Alliance requested approval of a Secondary Receipt Service Toll of 15¢/Mcf ($5.30/10³m³) for all volumes flowing from TAC Receipt Points on Secondary Receipt Point nominations. The proposed ROS Secondary Receipt Service Toll is derived from the 100% load factor ROS demand charge divided by the anticipated 66.67% utilization factor.

In Alliance's submission, the ROS Secondary Receipt Point toll would be a fixed toll pegged against a cost-based ROS toll and structured to reflect both the relative differences in cost contributions to the system and the potential frequency of use so that the toll would be roughly equal to the cost of ROS, if the forecast amount of unutilized capacity is entirely sold as ROS Secondary Receipt Point capacity. The proposed ROS Secondary Receipt Point Toll is also set at a level to incent interested customers to contract in the secondary market. According to Alliance, in the past, the Board has approved tolls at levels designed to incent the market to migrate towards other services.

Alliance submitted that the current zero toll for transportation from secondary receipt points originated as part of a negotiated tariff in order to attract a sufficient amount of contract firm

transportation to underpin the original Alliance system. Alliance stated that the commercial feasibility of the proposed BC Expansion facilities is dependent upon the ROS Secondary Receipt Service Toll. The need for the ROS Secondary Receipt Service Toll became apparent during the open season process as eligible shippers made inquiries in advance of the submission deadline. It became clear to Alliance that shippers were not willing to subscribe and pay demand charges for the receipt service that offered no meaningful opportunity to mitigate costs in the event that a shipper was unable to utilize its service for a period of time.

Alliance added that the toll would apply only to ROS capacity that ROS shippers do not utilize. It would not apply to excess capacity beyond the 150 MMcf/d (4.25 $10^6m^3/d$) that will become available as a consequence of placing the proposed facilities into service. Alliance proposed a toll for this service higher than the 10¢/Mcf ($107.30/10^3m^3/month) ROS toll so that ROS shippers can mitigate demand charges by selling unused receipt capacity to a third party. Alliance submitted that without such a toll for this service, those interested in the capacity are much more likely to acquire it free from Alliance than pay anything to ROS shippers. Alliance also stated that the implementation of the toll would minimize the possibility of Alliance competing with its shippers to supply unused receipt capacity. All ROS Secondary Receipt Point revenues would be credited to the revenue requirement for FT shippers.

Alliance stated that CAPP's suggestion for the removal of the Secondary Receipt Service Toll would result in ROS shippers subsidizing FT enhancements and that would be unjust. Alliance stated that it believes the Secondary Receipt Service Toll should be higher than the ROS toll for the reasons provided and that it is amenable to the Board fixing the ROS Secondary Receipt Service Toll at some fixed relationship to the ROS toll. In this way the ROS secondary toll would automatically adjust when ROS drops from 10¢/Mcf ($107.30/10^3m^3/month) to 4¢/Mcf ($42.95/10^3m^3/month).

Alliance stated that it is not averse to the Board directing Alliance to track utilization of ROS secondary service and report back, after approximately two years, with a recommendation for adjustment of the 15¢/Mcf toll as a consequence of availability.

CAPP opposed the Secondary Receipt Toll and stated that it is inconsistent with the current tolling methodology on Alliance where any firm shipper not fully utilising its firm receipt or delivery capacity, absent any secondary market resale of the capacity, will relinquish that capacity to the use of other shippers who in turn pay no extra toll for that use. In addition, CAPP stated that the Secondary Service Receipt Toll would grant the ROS shippers the ability to economically withhold capacity off the market.

CAPP stated that the evidence points to a project that is not economic as a primary service as Alliance stated that the commercial feasibility of the proposed BCX facilities is dependent upon the ROS Secondary Receipt Service Toll.

CAPP further stated that it was not aware of any regulatory precedent for a toll design that is based in the shipper's expected utilization of its contract. If the expansion is what the market needs, it does not require a special toll design to make it economic for the shipper. The expansion should be able to proceed on the existing toll design methodology.

CAPP stated that TAC receipts were well below the contract capacity and TAC shippers pay demand charges regardless of use. The existing arrangement has led to an active secondary market for capacity on Alliance without a secondary receipt point toll.

CAPP's position is that, at a minimum, the secondary receipt toll should be removed although CAPP's preference is that the Application be denied.

Views of the Board

The Board notes that the proposed ROS Secondary Receipt Service Toll is a toll for shippers to take delivery of gas in the TAC zone at delivery points other than their Primary Receipt Point Designations. It is a toll to provide an alternate point of receiving gas and is only applicable for the 150 MMcf/d (4.25 $10^6m^3/d$) capacity associated with ROS service. The Board therefore finds that this is not a toll for a secondary market transaction.

The Board is of the view that shippers have the right to dispose of unused capacity in an effort to mitigate associated demand charges. The Board encourages the establishment of unregulated secondary markets which can provide such an opportunity, as well as price signals as to the appropriateness or adequacy of capacity. The Board notes CAPP's submission that a secondary market already exists. The Board does not believe that fixing a secondary receipt point toll would inhibit such a market.

Absent approving the ROS Secondary Receipt Service Toll, Alliance may not be able to expand the system as proposed since the evidence clearly indicates that shippers were not willing to commit to additional investments without a means of demand charge recovery for the unused capacity. The fact that the Tariff was negotiated in order to attract a sufficient amount of contract firm transportation to underpin the original build of the Alliance pipeline does not mean that the same rules should necessarily apply to expansions.

The Board finds that there was no compelling evidence that shippers would be negatively impacted by a toll for secondary receipt point service. The Board finds the proposed toll to be just and reasonable and approves the ROS Secondary Receipt Service Toll at a level of 1.5 times the ROS toll.

In addition, the Board directs Alliance to report to the Board the Secondary Receipt Point transactions, volumes and revenues at the end of the first two years of the new facilities being placed into service along with any recommendations for adjustments.

3.4 Impact on Existing Services and Shippers

3.4.1 Costs to Shippers

3.4.1.1 Capital and Operating Costs

Views of the Parties

According to Alliance, the estimated cost of the proposed Taylor Junction Compressor Station is approximately $30.3 million. Under the proposed funding arrangement, Alliance's owners would contribute 30% of the project costs through equity contributions, consistent with the prevailing capital structure for the pipeline system. Alliance's floating-rate credit facilities are sufficient to debt finance the remaining 70% of the project cost.

The proposed toll is designed to recover the long-term owning and operating costs of the expansion facilities over their economic life, utilizing the same cost and toll design principles used to generate existing Alliance tolls, except that the capital cost recovery has been accelerated for the first five years of the ROS agreements. Alliance stated that the impact of ROS will be neutral at worst because the incremental revenues will offset the incremental costs.

CAPP stated that the ROS toll is not neutral to other shippers as the ROS toll recovers only 45% of the capital costs by 2015, the end of the ROS contract term, and that the incremental fuel costs are not covered by the ROS toll. CAPP further stated that the ROS toll should recover the full cost of providing service and Alliance should be fully at risk for any unrecovered capital and operating costs after 2015.

There were no parties who expressed concern with respect to the level of Alliance's capital and operating costs associated with the proposed facility.

Views of the Board

With respect to operating costs and the capital costs of the proposed facility, the Board notes that there were no parties who expressed concerns with these costs. While Alliance stated that the shippers would be at risk for the undepreciated capital costs of the facility after 2015, the Board is of the view that it is Alliance who is at risk for these undepreciated costs and it will be the responsibility of Alliance to seek approval of a toll structure at an appropriate time.

3.4.1.2 Fuel Costs

Views of the Parties

Alliance proposed that the cost of incremental fuel required to run the compressor should be included on a rolled-in basis in the fuel required to be supplied by FT shippers because fuel use is an attribute of the long-haul transportation service.

Alliance stated that the change in the fuel ratio is relatively nominal and Alliance indicated that the projected change to the fuel ratio is well within the range of the changes that arise from time to time throughout the year. It was also submitted by Alliance that the minor increase in fuel costs to FT shippers is more than offset by the increased flexibility all FT shippers will have as a result of the additional receipt capacity. Alliance noted that the fuel increase is no different than that which would have occurred under the CAPP supported TAC II concept.

Alliance further stated that while ROS shippers do not contribute to system fuel costs through their ROS contracts, they do contribute through their FT contracts. If fuel is charged for ROS as well as FT Service, some shippers could end up paying twice for the same volume of fuel, once with the ROS and again with the FT Toll.

CAPP stated that cost neutrality would dictate that ROS subscribers should pay for the incremental fuel that is required to run the compressor. As ROS does not add to the long haul capacity of the system, it should not be the responsibility of the current long haul shippers to pay the increased fuel cost. While it is the transportation service that pays the fuel under the existing Tariff, the existing Tariff does not contemplate ROS.

Views of the Board

The Board agrees with Alliance that compressor fuel is a cost which is appropriately shared by all shippers. The Board notes that the increase in fuel costs resulting from the addition of the Taylor Junction Compressor Station is within the range of the changes in fuel that arise at various times on the system. In addition, Alliance has pointed out that there are some potential offsetting benefits to shippers due to the additional volumes coming into the system such as 20 MMcf/d (425 $10^3m^3/d$) of additional receipt capacity in TAC approximately 360 days/year and increased opportunities for FT shippers wishing to sell unutilized FT capacity.

3.4.2 Impacts on Existing Service

Views of the Parties

Alliance stated that the purpose of this Project is to help Alliance serve the growing demand for access to natural gas transportation capacity out of northeastern B.C. Alliance submitted that it would increase options available to all its shippers by opening access to significantly more supply that would allow customers to fully utilize their FT capacity. Alliance stated that ROS does not harm existing shipper classes while serving an incremental market need.

CAPP stated that ROS creates receipt capacity that is not available to other TSA holders in accordance with their negotiated TSAs. CAPP submitted that it is possible to expand the TAC capacity within the framework of the existing Tariff. Receipt capacity has been previously added to the system within the framework of the Tariff.

CAPP submitted that ROS would alter the position of non-subscribing shippers by increasing the balance of Primary Receipt Point Designation (PRPD) to firm contractible transportation capacity from 125% to 136%. PRPD refers to the designation by a shipper of Primary Receipt Point Capacity (PRPC) which then creates the firm right to put gas onto the system at the designated point up to the designated volume. PRPD is limited, stated CAPP, to 125% of firm long-haul capacity of 1,325 MMcf/d (37.5 $10^6m^3/d$), that is, it is limited to a maximum long-haul capability of the pipeline of 1.6 Bcf/d (45.3 $10^6m^3/d$). Therefore the ratio of PRPD to firm long-haul contract capacity is 125%. CAPP submitted that the Alliance proposal would remove this restriction for ROS Primary Receipt Point Capacity.

Alliance stated that the restriction of 125% of PRPC as a percentage of individual shippers' contracted capacity is a function of firm transportation only. ROS cannot have such a specification as it has no firm transportation associated with it. This control on PRPC is relevant for managing priorities between various FT shippers when the demand to deliver gas to a particular receipt point exceeds the receipt capability. As the capabilities of the ROS receipt points in TAC are being expanded by the addition of the Taylor Junction Compressor Station, there will be no adverse impact on FT shippers. Despite subscribing for ROS, FT restrictions on PRPDs remain at 125% of contract capacity.

Alliance noted that, in any event, 125% is no longer a hard and fast rule since Alliance's Tariff amendment of 2003, which gave shippers the option to allocate all or a portion of their PRPC to other shippers. Twelve shippers now hold more than 125% of their contracted capacity, including one shipper who holds 350% more.

Views of the Board

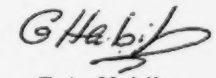
As previously expressed, the Board is of the view that there is a need for additional receipt capacity in the TAC zone. The Board further notes that the facilities required to provide ROS are supported by long-term contracts.

The Board finds that the 125% balance of PRPD to aggregate firm contractible transportation capacity is not a hard and fast rule since Alliance's Tariff amendment of 2003. Furthermore, the Board accepts Alliance's explanation that the ROS proposal will not change the PRPD restriction of 125% of individual shipper's contracted capacity.

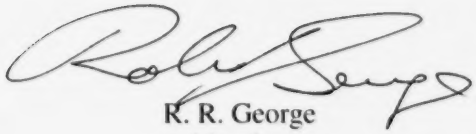
Chapter 4

Disposition

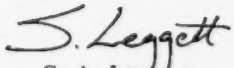
The foregoing constitutes our Reasons for Decision on this matter.



G.A. Habib
Presiding Member



R. R. George
Member



S. A. Leggett
Member

Calgary, Alberta
August, 2007

Appendix I

Environmental Screening Report

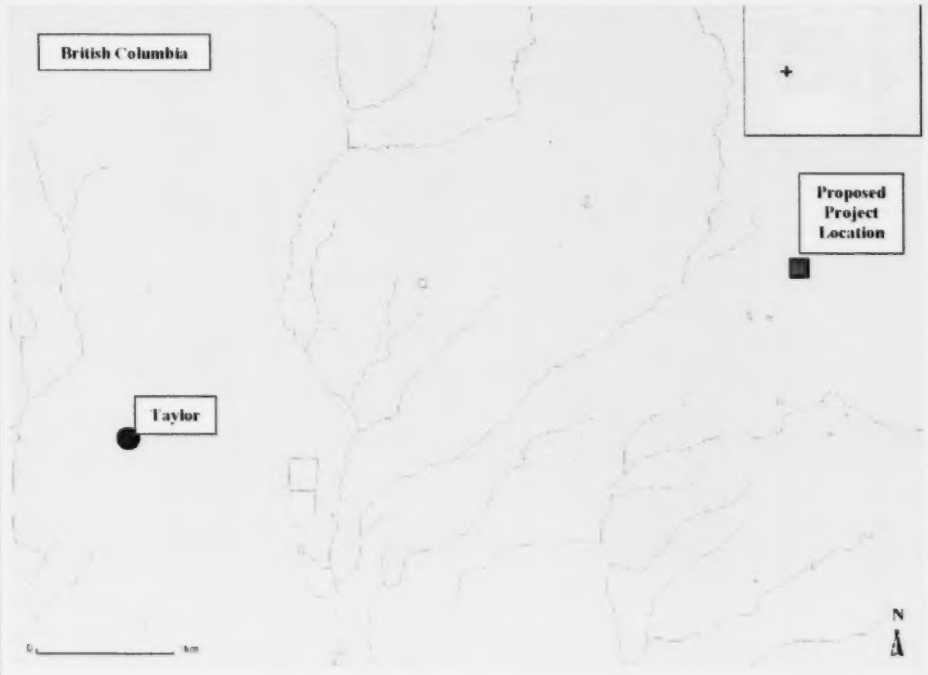
National Energy Board | Office national de l'énergie

ENVIRONMENTAL SCREENING REPORT

Pursuant to the *Canadian Environmental Assessment Act* (CEA Act)

British Columbia Expansion

Applicant Name:	Alliance Pipeline Ltd. (Alliance)		
Application Date:	28 February 2007	**CEA Act Registration Date:**	30 March 2007
National Energy Board (NEB or Board) File Number:	OF-Fac-Gas-A159-2007-01 01	**Canadian Environmental Assessment Registry Number:**	07-01-27303
CEA Act Law List Trigger:	Subsection 58(1) of the *National Energy Board Act*	**CEA Act Determination Date:**	14 August 2007



Canada

SCREENING SUMMARY

Alliance is proposing to construct and operate a new 7,700 horsepower compressor station at its existing Taylor Junction valve and pig trap site upstream of the British Columbia-Alberta border (the Project). The proposed Project includes the installation of a gas-driven turbine, generator, various buildings, gas cooler facilities and piping. An expansion of the existing site would be required.

Potential adverse environmental effects associated with the Project include effects on soil, vegetation, wildlife, local air quality (including dust levels) and associated health effects, operational noise levels and aesthetics. Potential also exists for contamination of soil/ groundwater and human injury to occur as a result of accidents and malfunctions during construction and/or operation of the Project.

The NEB is of the view that, with the implementation of Alliance's environmental protection procedures, mitigation measures and the NEB's recommendations, the proposed Project is not likely to cause significant adverse environmental effects.

1.0 ENVIRONMENTAL ASSESSMENT PROCESS

The application for the Project was filed pursuant to subsection 58(1) of the *National Energy Board Act* (NEB Act), which triggers the CEA Act *Law List Regulations*, thereby requiring the preparation of this Environmental Screening Report (ESR).

2.0 RATIONALE FOR THE PROJECT

The proposed Project would serve the growing demand for access to natural gas receipt capacity out of northeastern British Columbia (BC).

3.0 BACKGROUND

The Canadian portion of the existing Alliance Pipeline System was constructed in BC and Alberta under authority of NEB Certificate GC-98. GC-98 originally allowed for the construction of the Taylor Booster Station on a 100 m x 100 m plot of land at the exact location where the current Project is proposed. In light of design modifications, that booster station was never built; however, the Taylor Junction valve and pig trap site was constructed at this location within a 100 m x 30 m fenced site.

4.0 DESCRIPTION OF THE PROJECT

Physical Work and/or Activity
Construction Phase – Timeframe: Scheduled to begin in November 2007
▪ Construction of a new compressor station (the Station) at Alliance's existing Taylor Junction valve and pig trap site upstream of the BC-Alberta border at SW ¼-10-83-17-W6M. Work would include the installation of: ◦ a 7,700 horsepower gas-driven turbine, generator and compressor in a common building (approximately 15.9 m x 24.2 m x 10 m) ◦ a control/auxiliary building (approximately 13 m x 30 m x 5.5 m) to house electrical and control equipment ◦ a fuel gas building (approximately 7 m x 3.2 m x 5.5 m) ◦ gas cooler facilities ◦ piping to connect the Station to the existing upstream Aitken Creek and Taylor Laterals and downstream to the existing St. John Lateral ▪ The existing site would be expanded to approximately 150 m x 150 m (2.25 ha) and approximately 1.8 ha of additional temporary work space would also be required ▪ Clearing of trees (outside the migratory bird timing period) in the southern and western portions of the Station site ▪ A minimum of 1.9 ha of soil would be stripped from the newly fenced area ▪ The Station site would be accessed from the west via an existing road
Operation Phase – Timeframe: Service life of the Project (estimated in-service date: November2008)
▪ Occasional venting of natural gas during blowdown events (periodic maintenance); no flaring would occur ▪ An increase in operational noise levels is expected
Abandonment Phase – Timeframe: At the end of the service life of the Project
▪ Pursuant to the NEB Act, an application would be required to abandon the facility, at which time the environmental effects would be assessed by the NEB

5.0 DESCRIPTION OF THE ENVIRONMENT

- The Project is located 6 km northeast of Taylor, BC, within the Peace River Regional District (PRRD), but outside of the Peace River valley
- Much of the proposed Station site is currently disturbed, fenced and used as an industrial site
- The Station site expansion would be built on cultivated land, which is owned by Paul, Gordon and Colleen Hill (the Hills)
- Within 1.5 km of the Project, there are 16 quarter sections of land owned by 13 parties; the nearest residents, Ron and Sandra Harden (the Hardens), are 200 m southwest of the Project
- The yellow rail (listed on Schedule 1 of the *Species at Risk Act* as being of Special Concern) has potential to occur in the Project area; however, the BC Conservation Data Centre indicated that this species has not been observed in the Project area, nor does the Project site represent the preferred habitat for this species
- Previously-conducted archaeological surveys extended beyond the boundaries of the existing site into the areas to be disturbed by the Project and no artifacts were discovered, nor were any encountered during initial construction; a recent site assessment confirmed an extremely low potential for heritage resource issues at the Station location; no heritage resources have been identified in provincial records for land within 500 m of the Project
- There are no trapper, guide outfitters or First Nations lands or interest in the Project area

6.0 COMMENTS FROM THE PUBLIC WHICH ARE RELEVANT TO THIS CEA ACT ASSESSMENT

6.1 Project-Related Issues Raised in Comments Received by the NEB

The NEB received comments relating to environmental and socio-economic matters of the Project from the District of Taylor (DoT), PRRD, the Hills and Brian and Lori Hill. Issues of concern were related to the topics of emergency response, flaring, noise levels, aesthetics, weed control, dust levels and the Project's effect on farming operations. Alliance addressed all comments through direct reply letters and responses to NEB information requests. See Section 8.2 for further discussion on the above-mentioned topics.

6.2 Project-Related Issues Raised through Consultation Conducted by Alliance

At the January 2007 public open house in Taylor, one member of the public raised concerns with respect to noise levels. Alliance has since contacted this individual and confirmed that no outstanding issues or concerns remain.

PRRD's Board of Directors raised comments and questions to Alliance regarding the size and appearance of buildings, noise levels and its proximity to residences. Alliance addressed PRRD's comments and questions via a face-to-face meeting and a direct reply letter.

Alliance has actively engaged in discussions with the Hills with respect to land agreements and concerns regarding weed and noise control. Similarly, Alliance continues to consult with the

Hardens regarding noise level increases at their residence. See Section 8.2 for further details regarding these topics.

7.0 METHODOLOGY OF THE NEB'S ENVIRONMENTAL ASSESSMENT

Scope of the factors to be considered:

In conducting the environmental screening, the NEB considered the factors set out in paragraphs 16(1)(a) through (d) of the CEA Act. The scope of the environmental assessment includes the life cycle of the Project within the Project area for those environmental elements listed in Section 8.1.

Baseline information and sources:

The analysis for this ESR is based on Alliance's application, subsequent filings (including responses to information requests) and its Environmental Plans (Volume V, Revision 2, November 1998) that were applicable to the Alliance Pipeline Project as a whole, including the contemplated (but never built) Taylor Booster Station (the Environmental Plans). Further, the Board considered letters of comment and submissions from interested and affected third parties. To obtain documents, please search within the "Regulatory Documents" area on the NEB's website (www.neb-one.gc.ca) or contact the Secretary of the NEB at the address specified in Section 10.0 of this ESR.

Methodology of the analysis:

In assessing the environmental effects of the Project, the NEB used an issue-based approach. In its analysis within Section 8.1, the NEB identified interactions expected to occur between the proposed project activities and the surrounding environmental elements. Also included were the consideration of potential accidents and malfunctions that may occur due to the Project and any change to the Project that may be caused by the environment. If there were no expected element/Project interactions then no further examination was deemed necessary. Similarly, no further examination was deemed necessary for interactions that would result in positive or neutral potential effects. In circumstances where the potential effect was unknown, it was categorized as a potential adverse environmental effect.

An analysis was done for all potential adverse environmental effects of the Project and the NEB's views and findings are outlined in Section 8.2. Section 8.3 addresses cumulative effects, Section 8.4 addresses follow-up programs and Section 8.5 lists recommendations for any subsequent regulatory approval of the Project.

8.0 ENVIRONMENTAL EFFECTS ANALYSIS

8.1 Project – Environment Interactions

	Environmental Element	Project Inter-action? Y/N/U	Description of Interaction (How, When, Where)	Type of Potential Effect P/Ntl/Adv	Potential Adverse Environmental Effect
Bio-Physical	Soil and Soil Productivity	Y	• Ground disturbance and vehicle traffic at the Station site	Adv	• Reduced soil productivity (due to admixing of layers, erosion, compaction, rutting)
	Vegetation	Y	• Use of construction equipment on cultivated land • Clearing of trees	Adv	• Introduction/spreading of weeds • Loss of vegetation
	Water Quality and Quantity	N			
	Fish and Fish Habitat	N			
	Wetlands	N			
	Wildlife and Wildlife Habitat	Y	• Increased noise from construction activities and Station operation • Increased traffic during construction • Clearing of trees	Adv	• Sensory disturbance to wildlife • Wildlife mortality • Loss of habitat
	Species at Risk (federal)	N			
	Species of Special Status (provincial, territorial, local)	N			
	Air Quality	Y	• Construction equipment emissions • Increased emissions from gas combustion in the new turbine • Venting of natural gas during facility blowdowns	Adv	• Decrease in local air quality
Socio-Economic	Human Occupancy/Resource Use	Y	• Site expansion into new areas of agricultural land	Adv	• Disruption of farming operations
	Heritage Resources	N			
	Current Traditional Land and Resource Use	N			
	Socio and Cultural Well-Being	N			
	Human Health Aesthetics	Y	• Increased operational noise levels • Increased air emissions during construction and operation • New building construction • Increased traffic during construction	Adv	• Nuisance noise to neighbours • Health impacts due to air emissions • Decreased aesthetics • Increased dust levels
Other	Accidents/Malfunctions	U	• Spills from equipment during construction or infrastructure during operations • Potential for gas leak/explosion/fire at the Station	Adv	• Potential for contamination of soil/ groundwater • Potential for human injury and/or damage to neighbouring properties
	Effects of the Environment on the Project	N			

Legend: Y (Yes); N (No); U (Uncertain); P (Positive); Ntl (Neutral); Adv (Adverse)

8.2 Analysis of Potential Adverse Environmental Effects

Taking into account the nature of the Project, the physical work involved and the environmental setting, the NEB is of the view that the potential adverse environmental effects of the Project can be resolved using the standard design or routine mitigation measures as committed to by Alliance in its application, subsequent filings and Environmental Plans.

Alliance has committed to implementing a Project specific Environmental Protection Plan (EPP) for the Project which would reference the applicable procedures from its Environmental Plans. The Environmental Plans cover all aspects of construction and effects mitigation including, but not limited to, clearing, soils handling, cleanup and reclamation. The Environmental Plans also include various contingency and management plans which address, among other things, spills and increased vehicle traffic.

The following table provides further discussion on various potential adverse environmental effects of the Project for which related public comments have been received by the NEB or by Alliance through its consultation efforts (see Section 6.0 for details on comments received).

Potential Adverse Environmental Effect	Related Topic Raised by:	Commitments and/or Mitigation
Introduction/spreading of weeds	the Hills	▪ The Environmental Plans contain weed control measures, those of which are applicable to the Project would be included in the site-specific EPP ▪ In consultation with the Hills, Alliance has incorporated language into the land agreement to address, among other things, the landowners' concerns regarding timeliness of weed control
▪ Decrease in local air quality ▪ Health impacts due to air emissions	DoT	▪ Alliance confirmed that no flaring facilities are proposed as part of the Project ▪ Potential effects of gas combustion in the new turbine on ambient air quality were evaluated using dispersion models; the results predicted that the maximum 1-hour, 24-hour and annual average ground-level nitrogen dioxide concentrations associated with the Station would fall well below the Federal National Ambient Air Quality Objectives ▪ Alliance submits that venting natural gas from the facility would be an unusual event involving relatively low volumes (dispersed upwards) during periodic maintenance; there is no applicable provincial or federal ambient air quality objective for methane or other constituents of the Alliance natural gas stream to compare venting releases to; however, volumes of released gas would be captured in Alliance's reporting to the National Pollutant Release Inventory, administered by Environment Canada ▪ Alliance has contacted the BC Ministry of Environment regarding provincial permitting requirements with respect to air emissions; no existing concerns have been identified in respect of air quality through this consultation
Disruption of farming operations	the Hills	▪ The location of the Station and associated facilities is dictated by the existing site and safety guidelines; however, consultation with the Hills has resulted in a Station site configuration that minimizes the footprint and impacts to farming operations

Potential Adverse Environmental Effect	Related Topic Raised by:	Commitments and/or Mitigation
Nuisance noise to neighbours	▪ PRRD ▪ the Hills ▪ Brian and Lori Hill ▪ the Hardens	▪ Noise modeling predicted that the continuous sound level contributions from the Station would be in compliance with the nighttime Permissible Sound Level as set out by the Alberta Energy and Utilities Board's Noise Control Directive ID 99-8 (EUB Directive) for all residences but the Hardens' residence (200 m southwest of the Station site) ▪ Negotiations with the Hardens are ongoing with respect to noise abatement or avoidance alternatives (including a possible relocation of the residence) and Alliance indicates that they are committed to developing a mutually acceptable solution ▪ In consultation with the Hills, Alliance has incorporated language into the drafted agreement between Alliance and the Hills to address, among other things, the landowners' concerns regarding noise control
Decreased aesthetics	PRRD	▪ Alliance would use its typical design and colour scheme for the proposed Station, which were selected to blend in with the surroundings in a variety of seasons
Increased dust levels	the Hills	▪ The Environmental Plans contain dust control measures, those of which are applicable to the Project would be included in the site-specific EPP
Potential for human injury and/or damage to neighbouring properties	DoT	▪ Alliance would update its Emergency Response Plan and Continuing Education and Liaison Program to include the Project, prior to placing it into operation ▪ Alliance conducts First Responder Awareness Training with all first responder groups which provides details about local area emergency response plans and procedures, including information on the coordination of company response efforts with local first responders

Significant discussions have occurred, and may continue to occur, between Alliance and affected local parties and landowners regarding various topics of interest. The NEB is of the view that, should the Project be approved, a condition be included in the Order which would require Alliance to submit its Project-specific EPP to the Board, prior to commencing construction. The EPP should incorporate any additional mitigation and commitments made since the filing of the Project application, including those made in consultation with local government agencies and affected landowners. A specific recommendation is included in Section 8.5.

The NEB is of the view that, if Alliance follows through with its commitments and adheres to the NEB's recommendations as set out in Section 8.5, the potential adverse environmental effects of the Project are not likely to be significant.

8.3 Cumulative Effects Assessment

The NEB has considered the potential for cumulative environmental effects and determined that any potential cumulative environmental effects that are likely to result from this Project in combination with other projects or activities that have been or will be carried out would be localized and minor in nature. Therefore, it is unlikely that there would be any significant cumulative environmental effects resulting from this Project.

8.4 Follow-Up Program

The Project and its associated activities are routine in nature. The potential adverse environmental effects of the Project are well understood based on past projects of a similar nature. For these reasons, the NEB is of the view that a follow-up program would not be appropriate for this Project.

8.5 Recommendations

It is recommended that, in any Order that the NEB may grant, a condition be included requiring the applicant to carry out all of the environmental protection and mitigation measures outlined in its application and related submissions.

Further, it is recommended that the following condition be included in any Order granted:

> *Alliance shall file with the Board, at least 30 days prior to construction, a project specific Environmental Protection Plan (EPP), which Alliance shall implement. The project specific EPP shall describe all environmental protection procedures, and mitigation and monitoring commitments, as set out in Alliance's application or as otherwise agreed to during questioning, in its related submissions or through consultation with local government agencies and affected landowners.*

9.0 THE NEB'S CONCLUSION

The NEB is of the view that, with the implementation of Alliance's environmental protection procedures and mitigation measures and the NEB's recommendations, the proposed Project is not likely to cause significant adverse environmental effects.

This represents a determination pursuant to paragraph 20(1)(a) of the CEA Act. This ESR was approved by the NEB on the date specified on the cover page of this report under the heading CEA Act Determination Date.

10.0 NEB CONTACT

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Appendix II

Order XG-A159-07-2007

ORDER XG-A159-07-2007

IN THE MATTER OF the *National Energy Board Act* (Act) and the regulations made thereunder; and

IN THE MATTER OF an application dated 28 February 2007, made pursuant to section 58 of the Act, by Alliance Pipeline Ltd. (Alliance), for the construction and operation of the Taylor Junction Compressor Station filed with the National Energy Board under File OF-Fac-Gas-A159-2007-01 01

BEFORE the Board on 14 August 2007.

WHEREAS the Board received an application from Alliance on 28 February 2007 to construct and operate facilities collectively referred to as the Taylor Junction Compressor Station (the Project) at an estimated cost of $30,284,000;

AND WHEREAS information about the Project is set out in the attached Schedule A;

AND WHEREAS, pursuant to the *Canadian Environmental Assessment Act* (CEA Act), the Board has considered the information submitted by Alliance and has performed an environmental screening of the Project;

AND WHEREAS the Board has determined, pursuant to paragraph 20(1)(a) of the CEA Act that, taking into account the implementation of Alliance's proposed mitigation measures and those set out in the attached conditions, the Project is not likely to cause significant adverse environmental effects;

AND WHEREAS the Board has examined the application and considers it to be in the public interest to grant the relief requested;

IT IS ORDERED that, pursuant to section 58 of the Act, the Project is exempt from the requirements of paragraph 30(1)(a), and sections 31 and 47 of the Act, subject to the following conditions:

1. Alliance shall cause the approved Project to be designed, located, constructed, installed, and operated in accordance with the specifications, standards and other information referred to in its application.

2. Alliance shall implement or cause to be implemented all of the policies, practices, programs, mitigation measures, recommendations and procedures for the protection of the environment included in or referred to in its application and related submissions.

3. Alliance shall file with the Board, at least 30 days prior to construction, a Project specific Environmental Protection Plan (EPP), which Alliance shall implement. The Project specific EPP shall describe all environmental protection procedures, and mitigation and monitoring commitments, as set out in Alliance's application or as otherwise agreed to during questioning, in its related submissions or through consultation with local government agencies and affected landowners.

4. Within 30 days of the date that the approved Project is placed in service, Alliance shall file with the Board a confirmation, by an officer of the company, that the approved Project was completed and constructed in compliance with all applicable conditions in this Order. If compliance with any of these conditions cannot be confirmed, the officer of the company shall file with the Board details as to why compliance cannot be confirmed. The filing required by this condition shall include a statement confirming that the signatory to the filing is an officer of the company.

5. Alliance shall submit to the Board 30 days prior to operating the proposed facility, documentation demonstrating that all site buildings, ignition sources, and publicly accessible areas are outside of the flammable plume for the worst case blow down scenario of the proposed facility. The submission is to include the results of site specific, qualitative analysis for the proposed Taylor Junction Compressor Station stating the method of computation and all assumptions.

6. Unless the Board otherwise directs prior to 30 September 2008, this Order shall expire on 30 September 2008 unless construction in respect of the Project has commenced by that date.

NATIONAL ENERGY BOARD

Claudine Dutil-Berry
Secretary of the Board

Schedule A
ORDER XG-A159-07-2007

Alliance Pipeline Ltd.

Application dated 28 February 2007 for BC Expansion Project
NEB File No.: OF-Fac-Gas-A159-2007-01 01
Project Assessed Pursuant to the *National Energy Board Act*

Facilities Specifications

Construction Type	New
Facility Type	Compressor Station
Location	Taylor Junction (Suction from Aitken Creek Lateral and Taylor Lateral; Discharge to Fort St. John Lateral)
Pump Type	Centrifugal
Pump Power	5.7 MW ISO (7,700 hp) gas driven turbine
Control	Compressor Speed (SCADA)
Associated Facilities	Compressor Building, Fuel Gas System, Building and Generator, Control/Auxiliary Building, Auxiliary Electrical Power, Fire/Gas Detection Systems, Scrubber, Tie-in and Auxiliary Piping
Maximum Allowable Operating Pressure	8,790 kPa